

Meeting:	Licensing and General Purposes Committee
Date:	8 June 2009
Subject:	Early Retirement – Delegation of authority for approval
Responsible Officer:	Myfanwy Barrett – Corporate Director of Finance
Portfolio Holder:	David Ashton – Leader of the Council and Portfolio holder for Strategy, Partnership and Finance
Exempt:	No
Enclosures:	None

## **SECTION 1 – SUMMARY AND RECOMMENDATIONS**

Elected Members (i.e. Early Retirement Sub-Committee) have requested that the Licensing and General Purposes Committee review the exercising of discretionary delegations relating to Local Government pension Scheme Early Retirements

This report details background, current process and suggested amendments.

### **RECOMMENDATIONS:**

1. Redundancy retirements to be approved by the Officer Sub-Group, release of pension benefits to be signed off by the Corporate Director of Finance.
2. Efficiency retirements to be approved by the Officer Sub-Group, release of pension benefits to be signed off by the Corporate Director of Finance.
3. Early retirements (active or deferred members) under Regulation 30, where there is no strain on the pension fund, to be approved by the Divisional Director of Shared Services.
4. Divisional Director Shared Services reports annually to the Licensing and

General Purposes Committee providing a breakdown of all early retirement cases.

## **SECTION 2 - REPORT**

### **2.1. Background**

Elected Members (i.e. Early Retirement Sub-Committee, 28 March 2009 and 28 April 2009) have requested that the Licensing and General Purposes Committee review the delegations relating to Early Retirements under the Local Government Pension Scheme in circumstances where either:-

- I. The business case represents a rubber-stamping exercise (e.g. redundancy or efficiency of the service), or
- II. The business case clearly illustrates that there is no financial strain on the pension fund.

This report focuses on the following reasons for early retirement:-

1. Redundancy
2. Efficiency of the service
3. Early retirement (active) under Regulation 30 where there is no strain on the pension fund
4. Early retirement (deferred) under Regulation 30 where there is no strain on the pension fund.

### **2.2 Redundancy/Efficiency under Regulations 4, 5 & 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (LGPS)**

- 2.3 Historically, Members were presented with redundancy and efficiency retirement cases in order for Members to make a decision on whether or not to award the employee additional Compensatory Added Years (CAY) . An award of CAY provided a separate, additional, pension and lump sum that was paid out of council revenue not the London borough of Harrow pension fund.
- 2.4 To ensure compliance with the Age Discrimination Act, effective from 1 October 2006, the award of CAY was removed from the above regulations with effect from 1 April 2007.
- 2.5 Once the employer has taken an employment decision to cease an individual's employment on the grounds of either redundancy or efficiency of the service, the LGPS Regulations state that, as long as the employee meets the LGPS criteria, the employee is entitled to immediate payment of retirement pension.
- 2.6 In essence we now have a situation where redundancy/efficiency cases are being presented to Members for rubber stamping. There is no decision that impacts directly on Council revenue budget (i.e. award of

CAY), any strain on the pension fund is managed through the triennial valuation and once the employment decision has been made the individual's entitlement to receive pension benefits is guaranteed by statute.

## **2.7 Early Retirement under Regulation 30 (active & deferred)**

2.8 Under Regulation 30 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 an active or deferred member of the LGPS may, once s/he has attained age of 55, make a written request to the employer requesting that their pension benefits are placed into payment.

2.9 A scheme member who has been contributing to the pension scheme on or before 31st March 2008, and who makes an election before 1st April 2010 may do so from age 50.

2.10 A request made by a member, before the member reaches age 60 years, is ineffective without the consent of the employing authority, or in the case of a deferred member, the former employing authority.

2.11 The early payment of pension benefits will attract an actuarial reduction if the member has not satisfied the '85 year rule'. Where there is an actuarial reduction this would not necessarily cover the full financial strain on the pension fund.

2.12 Employing Authorities are required to formulate and keep under a review the following discretions in relation to Regulation 30:

- i. Whether to grant application for early payment of benefits on or after age 50/55 and before age 60.
- ii. Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early

2.13 Under Harrow's current policy the following conditions apply: -

- i. All requests for early retirement under Regulation 30 will be considered;
- ii. Approval will only be granted if it is in Harrow Council's best interest to do so and where the service area can demonstrate operational efficiencies;
- iii. Where an actuarial reduction applies and this does not fully cover the cost of placing the pension into payment the financial strain on the pension fund will be picked up as part of the triennial valuation.

- iv. The waiving of any early retirement actuarial reduction on compassionate grounds, (either in part or in full) will not be considered;
- v. Early retirements must be approved by a Director, the Officer Sub-Group and agreed by the Early Retirement Sub-Committee.
- vi. In the case of a deferred member the early release of pension benefits will only be passed to the Early Retirement sub-Committee where there is no financial strain to the pension fund.

2.14 It is recommended that where there is no financial strain on the pension fund, Harrow's current policy conditions are met and subject to the employing department providing a robust business case, that the discretion to agree the early release of pension benefits (either from active or deferred) is delegated to the Divisional Director Shared Services. This is in line with the current delegation under Flexible Retirement, where there is no strain on the pension fund.

2.15 In circumstances where a request for payment carries a strain on the pension fund, such cases will continue to be referred to the Early Retirement Sub-Committee.

2.16 Reporting to Elected members

2.17 This Committee currently receives an annual report on all Flexible Retirement cases which includes details of lump sums paid and strain on the pension fund. It is suggested that this report is expanded to included early retirement cases relating to Redundancy, Efficiency of the Service and Regulation 30.

### SECTION 3 - STATUTORY OFFICER CLEARANCE

Name: Myfanwy Barrett. Date: 22 May 2009.	<input checked="" type="checkbox"/>	* Chief Financial Officer
Name: Hugh Peart Date: 22 May 2009	<input checked="" type="checkbox"/>	* Monitoring Officer

### SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS

**Contact:** Greg Foley, Divisional Director Shared Services, 0208 424 7673

**Background Papers**

**Minutes of Licensing & General Purposes Committee (Special), 19 February 2007**

**Minutes of Early retirement Sub-Committee, 26 March 2009 and 28 April 2009**

**IF APPROPRIATE, does the report include the following considerations?**

1.	Consultation	YES/ <b>NO</b>
2.	Corporate Priorities	YES / <b>NO</b>
3.	Manifesto Pledge Reference Number	